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SUBJECT: ECONOMIC REPORT - AUG 20 THROUGH AUG 27

1. (U) Summary. Both exchange rates and prices remain stable. Gravity Diamonds of Australia is planning a joint venture with BHP Billiton for diamond exploration in the Kasais. CHEMAF has resumed production at a Mine de l'Etoile concession abandoned by Gecamines. The DRC became a member of the African Trade Insurance Agency, which provides import/export credit and investment insurance. Perenco has purchased the DRC's offshore oil concessions from Chevron-Texaco. Celtel launched international roaming service in Europe, West Africa, Asia, and the Middle East. Rehabilitation of two key bridges linking Kinshasa to Bandundu province via National Route No. 1 will begin before the end of 2004. Matadi port workers threatened to strike due to rumors of ONATRA cooperation in a DRC-Brazzaville bridge proposal. End Summary.

MONETARY AND PRICE UPDATE

2. (U) Prices remain fairly stable, with only a slight decrease noted in fuel prices. Agricultural items are in plentiful supply on the Kinshasa market, with commerce steady from Bandundu over the recently repaired Mai-Ndombe bridge.

3. (U) Exchange rates remain stable, with bank rates hovering around FC 390 to USD 1. Parallel market rates are generally within FC 5 of the bank rate. Rates in eastern provinces remain slightly elevated due to continuing tensions.

MINING

GRAVITY DIAMONDS IN JOINT VENTURE WITH BHP BILLITON

4. (U) The Australian firm Gravity Diamonds plans to explore the Kasai region of the DRC alongside BHP Billiton. Gravity Diamonds has raised 10.8 million Australian dollars (AD) from BHP Billiton and European investors, and intends to raise another AD 9 million by listing on Australia's Alternative Investment Market. After the fundraising, BHP Billiton will own 9.6 percent of the company and outside investors will own 58 percent. Gravity Diamonds' parent company, Gravity Capital, is listed on the Australian Stock Exchange.

CHEMAF BEGINS PRODUCTION AT MINE DE L'ETOILE

5. (U) Chemical of Africa (CHEMAF) has begun commercial heterogenite mining operations on the Kalukuluku concession, which was abandoned by Gecamines in July 2003. The concession is situated on the Mine de l'Etoile near Lubumbashi, and is estimated to hold 15 million tons of ore. Current heterogenite production is rated at 50-70 tons per day, but CHEMAF plans to increase production to 350 tons per day. Local artisanal miners had occupied the concession since Gecamines' departure. (Note. VP Bemba was moving to annul the contract signed by Gecamines, the Ministry of Mines, and CHEMAF. However, no official annulment decree has yet been issued. End Note.)

TRADE AND INVESTMENT

DRC JOINS AFRICAN TRADE INSURANCE AGENCY

6. (U) The DRC has become the eleventh member state of the African Trade Insurance Agency (ATI). ATI was established by the Common Market for Eastern and Southern Africa (COMESA) in May 2000, and is the continent's only multilateral import/export credit and political risk insurance agency. Member states are required to commit funds to ATI to compensate investors who suffer losses as a result of political or economic upheaval. ATI syndicates its covered risks among major international insurance agencies.

PETROLEUM

PERENCO TAKES OVER DRC OFFSHORE DRILLING

7. (SBU) The French oil company Perenco has acquired Chevron-Texaco's offshore drilling concessions in the DRC. The deal requires GDRC approval before the transfer of the title can be completed, but Chevron-Texaco is no longer operating the concessions. Perenco

has been present in the DRC since 2000, and has already acquired onshore concessions in East Banana, Mibale, and Liawenda-Kinkasi. Chevron-Texaco will maintain its presence in the DRC through its Kinshasa representative office.

INFRASTRUCTURE

INGA PRIVATIZATION CONTROVERSY

18. (U) DRC Vice-Minister of Foreign Affairs Mbwinda Bila was quoted in the press as stating that electricity parastatal SNEL was "surprised" and "unhappy" to hear that the South African firm Eskom had formed a consortium with the Industrial Development Corporation and SNC Lavalin of Canada to bid on the repair and expansion of the hydroelectric facilities at Inga I and Inga II. Bila also stated that SNEL's unhappiness "is justified by the fact that they are not a part of the consortium." SNEL reportedly has an existing partnership with Eskom, though not one that would preclude Eskom from pursuing development projects in the DRC with other companies.

CELTEL LAUNCHES INTERNATIONAL ROAMING SERVICE

19. (U) Celtel, the second largest cellular operator in the DRC, has launched a new international roaming service after signing bilateral agreements with numerous foreign service providers. Celtel customers will now have access to cellular networks in much of Europe, West Africa, Asia, and the Middle East.

TRANSPORTATION

BRIDGE REHABILITATION TO BEGIN BY YEAR'S END

110. (U) Public Works Minister Jose Endundu announced that complete rehabilitations of the Mai-Ndombe and Kwango bridges on National Route No. 1 from Bandundu province to Kinshasa will begin by the end of 2004. The EU has agreed to finance the projects at a cost of 900,000 Euros. (Note. Commercial traffic is currently using the recently repaired temporary Mai-Ndombe bridge, installed after the original bridge was destroyed during the civil war. Upcoming work will rehabilitate the original bridge. End Note.)

LABOR

MATADI PORT WORKERS THREATEN STRIKE

111. (U) Local press reports that workers at the Port of Matadi are threatening to strike due to rumors that ONATRA (port authority) aims to build a road and rail bridge over the Congo River linking the DRC with Congo-Brazzaville. The Port of Matadi has recently experienced a reduction in commerce due to low water levels on the Congo River. Many ships have been diverted to Pointe-Noire, Congo-Brazzaville. Port workers are demanding that money be allocated for proper dredging and channel marking along the river. (Comment. Port workers are rightly worried that their jobs are in danger. Operations at the port have been seriously encumbered by a lack of dredging in river channels over recent years. However, construction of a bridge linking the DRC to Congo-Brazzaville would be fiscally impractical and would carry significant political baggage. End Comment.)

112. (U) INFLATION BY CATEGORY (IN PERCENT)

WEEK ENDING	7/30	8/6	8/13	8/20
FOOD	2	-1	-2	0
BEVERAGE	0	0	0	0
NON-FOOD	0	0	0	-1
CLOTHING	0	0	0	0
RENT	0	0	0	0
TRANSPORT	0	0	0	0
SCHOOL COSTS	0	0	0	0
UTILITIES	0	0	0	0
COMBINED FIGURES				
WEEKLY INFLATION	0.9	-0.2	-0.6	0.0
MONTHLY INFLATION	1.2	-0.2	-0.8	-0.8

113. (U) EXCHANGE RATE DEVELOPMENTS

	7/30	8/6	8/13	8/20
CENTRAL BANK RATE	389.109	389.115	390.175	390.594
PARALLEL MARKET				
-KINSHASA	385-390	385-390	385-390	385-390
-LUBUMBASHI	380-385	380-385	380-385	380-390
-MBUJI MAYI	380-385	380-385	385-390	385-390
-KISANGANI	400-410	375-385	375-385	380-390
-GOMA	400-410	400-410	400-410	400-410
-BUKAVU	400-410	400-410	400-410	400-410

